

## Auditing Procedures Report

Issued under P.A. 2 of 1968, as amended and P.A. 71 of 1919, as amended.

Local Unit of Government Type <input type="checkbox"/> County <input type="checkbox"/> City <input checked="" type="checkbox"/> Twp <input type="checkbox"/> Village <input type="checkbox"/> Other		Local Unit Name Charter Township of Choccolay, Michigan	County Marquette
Fiscal Year End 12/31/06	Opinion Date 3/9/7	Date Audit Report Submitted to State 6-14-07	

We affirm that:

We are certified public accountants licensed to practice in Michigan.

We further affirm the following material, "no" responses have been disclosed in the financial statements, including the notes, or in the Management Letter (report of comments and recommendations).

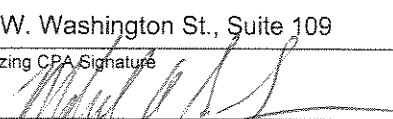
YES  
NO

**Check each applicable box below.** (See instructions for further detail.)

1. ☒ ☐ All required component units/funds/agencies of the local unit are included in the financial statements and/or disclosed in the reporting entity notes to the financial statements as necessary.
2. ☒ ☐ There are no accumulated deficits in one or more of this unit's unreserved fund balances/unrestricted net assets (P.A. 275 of 1980) or the local unit has not exceeded its budget for expenditures.
3. ☒ ☐ The local unit is in compliance with the Uniform Chart of Accounts issued by the Department of Treasury.
4. ☒ ☐ The local unit has adopted a budget for all required funds.
5. ☒ ☐ A public hearing on the budget was held in accordance with State statute.
6. ☒ ☐ The local unit has not violated the Municipal Finance Act, an order issued under the Emergency Municipal Loan Act, or other guidance as issued by the Local Audit and Finance Division.
7. ☒ ☐ The local unit has not been delinquent in distributing tax revenues that were collected for another taxing unit.
8. ☒ ☐ The local unit only holds deposits/investments that comply with statutory requirements.
9. ☒ ☐ The local unit has no illegal or unauthorized expenditures that came to our attention as defined in the *Bulletin for Audits of Local Units of Government in Michigan*, as revised (see Appendix H of Bulletin).
10. ☒ ☐ There are no indications of defalcation, fraud or embezzlement, which came to our attention during the course of our audit that have not been previously communicated to the Local Audit and Finance Division (LAFD). If there is such activity that has not been communicated, please submit a separate report under separate cover.
11. ☒ ☐ The local unit is free of repeated comments from previous years.
12. ☒ ☐ The audit opinion is UNQUALIFIED.
13. ☒ ☐ The local unit has complied with GASB 34 or GASB 34 as modified by MCGAA Statement #7 and other generally accepted accounting principles (GAAP).
14. ☒ ☐ The board or council approves all invoices prior to payment as required by charter or statute.
15. ☒ ☐ To our knowledge, bank reconciliations that were reviewed were performed timely.

If a local unit of government (authorities and commissions included) is operating within the boundaries of the audited entity and is not included in this or any other audit report, nor do they obtain a stand-alone audit, please enclose the name(s), address(es), and a description(s) of the authority and/or commission.

I, the undersigned, certify that this statement is complete and accurate in all respects.

<b>We have enclosed the following:</b>	Enclosed	Not Required (enter a brief justification)	
Financial Statements	<input checked="" type="checkbox"/>		
The letter of Comments and Recommendations	<input checked="" type="checkbox"/>		
Other (Describe)	<input type="checkbox"/>		
Certified Public Accountant (Firm Name) Anderson, Tackman, & Company, PLC		Telephone Number 906-225-1166	
Street Address 102 W. Washington St., Suite 109		City Marquette	State MI
Authorizing CPA Signature 		Zip 49855	License Number 1101027988
Printed Name Michael Alan Greutz			

**CHARTER TOWNSHIP OF CHOCOLAY,  
MICHIGAN**

**FINANCIAL STATEMENTS**

**For the Year Ended December 31, 2006**

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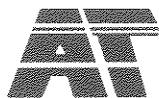
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# ANDERSON, TACKMAN & COMPANY, P.L.C.

CERTIFIED PUBLIC ACCOUNTANTS

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MILWAUKEE

## INDEPENDENT AUDITOR'S REPORT

The Supervisor and Members of  
the Board of Trustees of the  
Charter Township of Chocoday, Michigan  
5010 U.S. Highway 41 South  
Marquette, Michigan 49855

We have audited the accompanying financial statements of the governmental activities, the business-type activities, each major fund, and the aggregate remaining fund information of the Charter Township of Chocoday, Michigan as of and for the year ended December 31, 2006, which collectively comprise the basic financial statements as listed in the table of contents. These financial statements are the responsibility of the Charter Township of Chocoday, Michigan's management. Our responsibility is to express opinions on these financial statements based on our audit.

We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audit provides a reasonable basis for our opinions.

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities, business-type activities, each major fund and the aggregate remaining fund information of the Charter Township of Chocoday, Michigan as of December 31, 2006, and the respective changes in financial position and cash flows, where applicable, thereof for the year then ended in conformity with accounting principles generally accepted in the United States of America.

In accordance with *Government Auditing Standards*, we have also issued our report dated March 9, 2007, on our consideration of the Charter Township of Chocoday, Michigan's internal control over financial reporting and on our tests of its compliance with certain provision of laws, regulations, contracts, and grant agreements and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on the internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* and should be considered in assessing the results of our audit.

The Supervisor and Members of  
the Board of Trustees of the  
Charter Township of Chocolay, Michigan

The management's discussion and analysis, and budgetary comparison information on pages 5 through 10 and 36, are not a required part of the basic financial statements but are supplementary information required by accounting principles generally accepted in the United States of America. We have applied certain limited procedures, which consisted principally of inquiries of management regarding the methods of measurement and presentation of the required supplementary information. However, we did not audit the information and express no opinion on it.

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise the Charter Township of Chocolay, Michigan's basic financial statements. The combining and individual fund statements are presented for the purpose of additional analysis and are not a required part of the basic financial statements. The combining and individual fund financial statements have been subjected to the auditing procedures applied in the audit of the basic financial statements and, in our opinion, are fairly stated in all material respects in relation to the basic financial statements taken as a whole.

*Anderson, Tackman & Company, PLLC*  
Certified Public Accountants

March 9, 2007

## Charter Township of Chocolay, Michigan

### MANAGEMENT'S DISCUSSION AND ANALYSIS (UNAUDITED)

Our discussion and analysis of the Charter Township of Chocolay, Michigan's financial performance provides an overview of the Township's financial activities for the year ended December 31, 2006. Please read it in conjunction with the financial statements, which begin on page 11.

#### FINANCIAL HIGHLIGHTS

- Net assets for the Township as a whole increased by \$213,559 as a result of this year's operations. Net assets of our business-type activities increased by \$62,687, or 3 percent, and net assets of our governmental activities increased by \$150,872, or 5 percent.
- During the year, the Township had expenses for governmental activities that were \$1,513,112 and expenses for business type activities that were \$198,383.
- The General Fund reported a net fund balance of \$1,074,353. Net income was \$150,198 higher than the forecasted no change in fund balance.

#### USING THIS ANNUAL REPORT

This annual report consists of a series of financial statements. The Statement of Net Assets and the Statement of Activities (on pages 11 and 12) provide information about the activities of the Township as a whole and present a longer-term view of the Township's finances. Fund financial statements start on page 13. For governmental activities, these statements tell how these services were financed in the short term as well as what remains for the future spending. Fund financial statements also report the Township's operations in more detail than the government-wide statements by providing information about the Township's most significant funds. The remaining statements provide financial information about activities for which the Township acts solely as a trustee or agent for the benefit of those outside the government.

#### **Reporting the Township as a Whole**

Our analysis of the Township as a whole begins on page 7. One of the most important questions asked about the Township's finances is "Is the Township as a whole better off or worse off as a result of the year's activities?" The Statement of Net Assets and the Statement of Activities report information about the Township as a whole and about its activities in a way that helps answer this question. These statements include *all* assets and liabilities using the *accrual basis of accounting*, which is similar to the accounting used by most private-sector companies. All of the current year's revenues and expenses are taken into account regardless of when cash is received or paid. These two statements report the Township's *net assets* and changes in them. You can think of the Township's net assets - the difference between assets and liabilities - as one way to measure the Township's financial health, or *financial position*. Over time, *increases or decreases* in the Township's net assets are one indicator of whether its *financial health* is improving or deteriorating. You will need to consider other non-financial factors, however, such as changes in the Township's patron base and the condition of the Township's capital assets, to assess the *overall financial health* of the Township.

## MANAGEMENT'S DISCUSSION AND ANALYSIS (UNAUDITED) (Continued)

In the Statement of Net Assets and the Statement of Activities, we divide the Township into two kinds of activities:

- **Governmental Activities** – Most of the Township's basic services are reported here, including the legislative, elections, public safety, public works, recreation and culture, community and economic development and general services and administration. Property taxes, charges for services and state sources fund most of these activities.
- **Business-Type Activities** – The Township charges a fee to customers to help it cover all or most of the cost of certain services it provides. The Wastewater Treatment operations are reported here.

### Reporting the Township's Most Significant Funds

Our analysis of the Township's major funds begins on page 7. The fund financial statements begin on page 13 and provide detailed information on the most significant funds – not the Township as a whole. Some funds are required to be established by State law and by bond covenants. However, the Township Board establishes many other funds to help it control and manage money for particular purposes or to show that it is meeting legal responsibilities for using taxes, grants, and other money. The Township's two kinds of funds – *governmental* and *proprietary* – use different accounting approaches.

- **Governmental Funds** – Most of the Township's basic services are reported in governmental funds, which focus on how money flows into and out of those funds and the balances left at year-end that are available for spending. These funds are reported using an accounting method called *modified accrual* accounting, which measures cash and all other financial assets that can be readily converted into cash. The governmental fund statements provide a detailed *short-term view* of the Township's general government operations and the basic services it provides. Governmental fund information helps you determine whether there are more or fewer financial resources that can be spent in the near future to finance the Township's programs. We describe the relationship (or differences) between governmental *activities* (reported in the Statement of Net Assets and Statement of Activities) and governmental *funds* in a reconciliation which follows the fund financial statements.
- **Proprietary Funds** – When the Township charges customers for the services it provides – whether to outside customers or to other units of the Township – these services are generally reported in proprietary funds. Proprietary funds are reported in the same way that all activities are reported in the Statement of Net Assets and the Statement of Activities. In fact, the Township's enterprise funds (a component of proprietary funds) are the same as the business-type activities we report in the government-wide statements but provide more detail and additional information, such as cash flows, for proprietary funds.

### The Township as Trustee

The Township is the trustee, or fiduciary, for assets that – because of a trust arrangement – can be used only for the trust beneficiaries. All of the Township's fiduciary activities are reported in separate Statements of Fiduciary Net Assets on page 20. We exclude these activities from the Township's other financial statements because the Township cannot use these assets to finance its operations.

# MANAGEMENT'S DISCUSSION AND ANALYSIS (UNAUDITED) (Continued)

The Township is responsible for ensuring that the assets reported in these funds are used for their intended purposes.

## The Township as a Whole

Table I provides a summary of the Township's net assets as of December 31, 2006 and 2005.

Table 1 Net Assets				
	Governmental Activities – 2006	Business-Type Activities – 2006	Total Primary Government – 2006	Total Primary Government – 2005
Current and other assets	\$3,090,938	\$997,540	\$4,088,478	\$3,749,121
Non-current assets	628,739	1,307,489	1,936,228	2,027,384
Total Assets	3,719,677	2,305,029	6,024,706	5,776,505
Current liabilities	646,570	37,510	684,080	618,332
Non-current liabilities	78,138	16,381	94,519	125,625
Total Liabilities	724,708	53,891	778,599	743,957
Net Assets:				
Invested in capital assets, net of related debt	628,739	834,719	1,463,458	1,544,740
Restricted	-	20,292	20,292	20,367
Unrestricted (deficit)	2,366,230	1,396,127	3,762,357	3,467,441
Total Net Assets	\$2,994,969	\$2,251,138	\$5,246,107	\$5,032,548

Net assets of the Township's governmental activities stood at \$2,994,969. *Unrestricted* net assets—the part of net assets that could be used to finance day-to-day activities without constraints established by debt covenants, enabling legislation, or other legal requirements stood at \$2,366,230.

The \$2,366,230 in unrestricted net assets of governmental activities represents the accumulated results of all past years' operations. The operating results of the General Fund will have a significant impact on the change in unrestricted net assets from year to year.

The net assets of our business-type activities stood at \$2,251,138. The Township can generally only use these net assets to finance continuing operations of the Wastewater Treatment Facility operations.

The results of this year's operations for the Township as a whole are reported in the Statement of Activities (see Table 2), which shows the changes in net assets for fiscal year 2006 and 2005.

Table 2 Change in Net Assets				
	Governmental Activities – 2006	Business-Type Activities – 2006	Total Primary Government – 2006	Total Primary Government – 2005
<b>Revenues</b>				
Program Revenues:				
Charges for services	\$214,831	\$224,432	\$439,263	\$456,066
Operating Grants and Contributions	27,347	-	-	-
Capital Grants and Contributions	185,470	-	185,470	66,682
General Revenues:				
Property taxes	580,854	-	580,854	559,781
State Sources	458,393	-	458,393	463,063
Interest	91,947	36,638	128,585	54,053
Miscellaneous	105,142	-	105,142	399,113
Total Revenues	1,663,984	261,070	1,897,707	1,998,758



# MANAGEMENT'S DISCUSSION AND ANALYSIS (UNAUDITED) (Continued)

Table 2  
Change in Net Assets

	Governmental Activities – 2006	Business-Type Activities – 2006	Total Primary Government – 2006	Total Primary Government – 2005
Program Expenses:				
Legislative	\$24,191	\$-	\$24,191	\$27,058
General Services and Administration	330,999	-	330,999	280,794
Public Safety	404,303	-	404,303	373,076
Public Works	135,309	-	135,309	109,179
Community & Economic Dev.	42,555	-	42,555	35,066
Recreation and Culture	58,783	-	58,783	112,878
Other	297,496	-	297,496	289,735
Capital Outlay	219,476	-	219,476	95,312
Wastewater Treatment	-	198,383	198,383	200,649
Total Expenses	<u>1,513,112</u>	<u>198,383</u>	<u>1,711,495</u>	<u>1,526,520</u>
Excess (deficiency) before transfers	150,872	62,687	213,559	472,239
Transfers	-	-	-	-
Increase (decrease) in net assets	150,872	62,687	213,559	472,239
Net assets, beginning	<u>2,844,097</u>	<u>2,188,451</u>	<u>5,032,548</u>	<u>4,560,309</u>
Net Assets, Ending	<u>\$2,994,969</u>	<u>\$2,251,138</u>	<u>\$5,246,107</u>	<u>\$5,032,548</u>

The Township's total revenues were \$1,897,707. The total cost of all programs and services was \$1,711,495, leaving an increase in net assets of \$213,559. Our analysis below separately considers the operations of governmental and business-type activities:

## ***Governmental Activities***

The Governmental Type activities had a net income of \$150,872, which is made up of net income of \$225,955 from the governmental funds minus \$67,783 of expenditures relating to capital assets minus \$20,915 related to road construction projects, plus \$13,545 of the principal payment of the landfill bond and an additional increase of \$70 relating to the change in compensated absences.

## ***Business-type Activities***

During the year ended December 31, 2006, the net assets of the Township's business type activities increased by \$62,687.

The net income of \$62,687 is due to charging the users for the bond payment which pays off a liability creating net income.

## **THE TOWNSHIP'S FUNDS**

As the Township completed the year, its governmental funds (as presented in the balance sheet on page 13 reported a *combined* fund balance of \$2,494,769 which is an increase of \$225,955 from the beginning of the year.

The governmental funds had a net income of \$225,955 which was \$183,402 from KBIC money, \$13,000 more than budgeted \$183,402 from KBIC money, \$13,000.00 more than budgeted in Charter Franchise Fees, \$22,000 was interest on investments and \$7,553 was all other revenues.

## MANAGEMENT'S DISCUSSION AND ANALYSIS (UNAUDITED) (Continued)

### General Fund Budgetary Highlights

Over the course of the year, the Township Board revised the budget a few times. Amendments resulted in a net increase of \$0. With these adjustments, actual charges to expenditures were \$184,639 less than the final amended budget. Similarly, revenues were \$14,672 more than the final budget projection.

We made several adjustments to expenditure line items. We did a large revenue budget amendment in the Capital Improvement Fund from the KBIC money. This money was offset in the fire, police and recreation departments. We also had a police snowmobile grant to cover actual costs. We sold a portion of the Kawbawgam Pocket Park to Dr. English. Also, due to consent judgment from the state tax tribunal Chocoley Township was ordered to collect funds from the State of Michigan, Marquette County, Marquette Area Public Schools and RESA (and our portion) and refund Semco Gas.

The difference between the final budget and actual revenue was a positive variance of \$14,672,

The difference between the final budget and actual revenue was a positive variance of \$14,672 which was due to \$13,000 in franchise fees that were under budgeted, \$22,000 in interest income that was under budgeted and State revenue sharing that was decreased by \$13,000. The balance of \$7,328 was an increase in all other revenues.

Expenditures were \$184,638. Township Board was \$9,408 less than budgeted due to low attorney fees this year. Other General Government was \$60,557, less than budgeted due to lower health cost and contingency not being utilized. The Police and Fire departments were \$23,660 and \$15,158 under budget due to salaries. Sanitary Landfill was \$36,907 less than budget due to lower landfill costs. The additional \$38,950 positive variance was due to across the board immaterial differences.

### CAPITAL ASSET AND DEBT ADMINISTRATION

#### Capital Assets

At the end of fiscal 2006, the Township had \$1,496,379 invested in a variety of capital assets including land, buildings, and other equipment. (See table 3 below)

Table 3  
Capital Assets at Year-End (Net of Depreciation)

	Governmental Activities – 2006	Business-Type Activities – 2006	Totals – 2006	Totals – 2005
Land	\$190,000	\$5,555	\$195,555	\$195,555
Land improvements	116,067	-	116,067	131,867
Buildings and improvements	225,000	862,085	1,087,085	1,134,248
Equipment and furnishings	<u>97,672</u>	<u>-</u>	<u>97,672</u>	<u>132,531</u>
	<u>\$628,739</u>	<u>\$867,640</u>	<u>\$1,496,379</u>	<u>\$1,594,201</u>

The Township purchased a new Yamaha Snowmobile for \$8,000, a new Dodge Charger for \$28,622, and a new 150 gallon UPF Skid Unit for \$8,911. The majority of these assets were purchased from the Capital Improvements Fund. The Township had no disposals in the current year, and recorded depreciation expense of \$113,316.

## MANAGEMENT'S DISCUSSION AND ANALYSIS (UNAUDITED) (Continued)

### Debt

At year-end, the Township had \$101,568 in bonds and notes outstanding as depicted in Table 4 below.

Table 4  
Outstanding Debt at Year-End

	Governmental Activities – 2006	Business-Type Activities – 2006	Totals – 2006	Totals – 2005
General Obligation Bonds	<u>\$68,647</u>	<u>\$32,921</u>	<u>\$101,568</u>	<u>\$110,738</u>

There was no new debt for this fiscal year and further debt can be found in Note F.

### ECONOMIC FACTORS AND NEXT YEAR'S BUDGETS

In preparing the Township's budget for the year ending December 31, 2007 we anticipate a normal increase in expenditures being offset by normal increases in revenue.

### CONTACTING THE TOWNSHIP'S FINANCIAL MANAGEMENT

This financial report is designed to provide our citizens, taxpayers, customers, and investors and creditors with a general overview of the Township's finances and to show the township's accountability for the money it receives. If you have questions about this report or need additional financial information, contact the Charter Township of Chocolay, 5010 U.S. Highway 41 South, Marquette, MI 49855.

CHARTER TOWNSHIP OF CHOCOLAY, MICHIGAN

STATEMENT OF NET ASSETS

DECEMBER 31, 2006

	Primary Government		
	Governmental Activities	Business Type Activities	Total
<b>ASSETS</b>			
Current Assets:			
Cash and cash equivalents	\$ 2,492,763	\$ 889,983	\$ 3,382,746
Cash and cash equivalents - restricted	-	20,292	20,292
Receivables (net)	598,175	87,265	685,440
<b>TOTAL CURRENT ASSETS</b>	<b>3,090,938</b>	<b>997,540</b>	<b>4,088,478</b>
Non-current assets:			
Investment in treatment facility	-	439,849	439,849
Capital Assets			
Land and construction in progress	190,000	5,555	195,555
Other capital assets	1,902,414	2,165,654	4,068,068
Accumulated depreciation	(1,463,675)	(1,303,569)	(2,767,244)
Total Capital Assets	628,739	867,640	1,496,379
<b>TOTAL NON-CURRENT ASSETS</b>	<b>628,739</b>	<b>1,307,489</b>	<b>1,936,228</b>
<b>TOTAL ASSETS</b>	<b>3,719,677</b>	<b>2,305,029</b>	<b>6,024,706</b>
<b>LIABILITIES</b>			
Current Liabilities:			
Accounts payable	27,174	19,757	46,931
Accrued liabilities	18,369	865	19,234
Deferred revenue	550,626	-	550,626
Current portion of bonds payable	35,428	16,540	51,968
Current portion of compensated absences	14,973	-	14,973
Security deposits	-	348	348
<b>TOTAL CURRENT LIABILITIES</b>	<b>646,570</b>	<b>37,510</b>	<b>684,080</b>
Non-current Liabilities:			
Compensated absences	44,919	-	44,919
Bonds payable	33,219	16,381	49,600
<b>TOTAL NON-CURRENT LIABILITIES</b>	<b>78,138</b>	<b>16,381</b>	<b>94,519</b>
<b>TOTAL LIABILITIES</b>	<b>724,708</b>	<b>53,891</b>	<b>778,599</b>
<b>NET ASSETS</b>			
Invested in capital assets net of related debt	628,739	834,719	1,463,458
Restricted for:			
Debt Service	-	20,292	20,292
Unrestricted	2,366,230	1,396,127	3,762,357
<b>TOTAL NET ASSETS</b>	<b>\$ 2,994,969</b>	<b>\$ 2,251,138</b>	<b>\$ 5,246,107</b>

The accompanying notes are an integral part of these financial statements.

**CHARTER TOWNSHIP OF CHOCOLAY, MICHIGAN**

**STATEMENT OF ACTIVITIES**

FOR THE YEAR ENDED DECEMBER 31, 2006

Function / Programs	Program Revenues			Net (Expense) Revenue and Changes in Net Assets		
	Charges for Services	Operating Grants and Contributions	Capital Grants and Contributions	Governmental Activities	Primary Government Business Type Activities	Total
<b>Primary Government:</b>						
Governmental Activities:						
Legislative	\$ 24,191	\$ -	\$ -	\$ (24,191)	\$ -	\$ (24,191)
General services and administration	330,999	63,398	-	(267,601)	-	(267,601)
Public safety	404,303	-	-	(376,956)	-	(376,956)
Public works	135,309	151,433	27,347	16,124	-	16,124
Community and economic development	42,555	-	-	(42,555)	-	(42,555)
Recreation and culture	58,783	-	-	(58,783)	-	(58,783)
Other	297,496	-	-	(297,496)	-	(297,496)
Capital Outlay	219,476	-	185,470	(34,006)	-	(34,006)
Total Governmental Activities	1,513,112	214,831	27,347	(1,085,464)	-	(1,085,464)
<b>Business Type Activities:</b>						
Wastewater treatment	198,383	224,432	-	-	26,049	26,049
Total Business Type Activities	198,383	224,432	-	-	26,049	26,049
<b>TOTAL PRIMARY GOVERNMENT</b>	<b>\$ 1,711,495</b>	<b>\$ 439,263</b>	<b>\$ 27,347</b>	<b>(1,085,464)</b>	<b>26,049</b>	<b>(1,059,415)</b>
General Revenues:						
Taxes	580,854	-	-	580,854	-	580,854
Unrestricted State sources	458,393	-	-	458,393	-	458,393
Interest and investment earnings	91,947	-	-	91,947	36,638	128,585
Miscellaneous	105,142	-	-	105,142	-	105,142
Transfers	-	-	-	-	-	-
<b>TOTAL GENERAL REVENUES AND TRANSFERS</b>	<b>1,236,336</b>	<b>-</b>	<b>-</b>	<b>1,236,336</b>	<b>36,638</b>	<b>1,272,974</b>
<b>CHANGE IN NET ASSETS</b>	<b>150,872</b>	<b>-</b>	<b>-</b>	<b>150,872</b>	<b>62,687</b>	<b>213,559</b>
Net assets, beginning of year	2,844,097	-	-	2,844,097	2,188,451	5,032,548
<b>NET ASSETS, END OF YEAR</b>	<b>\$ 2,994,969</b>	<b>\$ -</b>	<b>\$ -</b>	<b>\$ 2,994,969</b>	<b>\$ 2,251,138</b>	<b>\$ 5,246,107</b>

The accompanying notes are an integral part of these financial statements.

**CHARTER TOWNSHIP OF CHOCOLAY, MICHIGAN**

**GOVERNMENTAL FUNDS**

**BALANCE SHEET**

DECEMBER 31, 2006

	<b>General Fund</b>	<b>Capital Improvement Fund</b>	<b>Total Governmental Funds</b>
<b>ASSETS</b>			
Cash and cash equivalents	\$ 1,072,347	\$ 1,420,416	\$ 2,492,763
Receivables	166,593	-	166,593
Taxes receivable	364,309	-	364,309
Due from other funds	67,273	-	67,273
<b>TOTAL ASSETS</b>	<b>\$ 1,670,522</b>	<b>\$ 1,420,416</b>	<b>\$ 3,090,938</b>
<b>LIABILITIES AND FUND BALANCE</b>			
<b>LIABILITIES:</b>			
Accounts payable	\$ 27,174	\$ -	\$ 27,174
Accrued payroll and related	18,369	-	18,369
Deferred revenue	550,626	-	550,626
<b>TOTAL LIABILITIES</b>	<b>596,169</b>	<b>-</b>	<b>596,169</b>
<b>FUND BALANCE:</b>			
Restricted	-	765,011	765,011
Unrestricted	1,074,353	655,405	1,729,758
<b>TOTAL FUND BALANCE</b>	<b>1,074,353</b>	<b>1,420,416</b>	<b>2,494,769</b>
<b>TOTAL LIABILITIES AND FUND BALANCE</b>	<b>\$ 1,670,522</b>	<b>\$ 1,420,416</b>	<b>\$ 3,090,938</b>

The accompanying notes are an integral part of these financial statements.

CHARTER TOWNSHIP OF CHOCOLAY, MICHIGAN

RECONCILIATION OF THE BALANCE SHEET OF GOVERNMENTAL FUNDS  
TO THE STATEMENT OF NET ASSETS

DECEMBER 31, 2006

**Total Fund Balances for Governmental Funds** \$ 2,494,769

*Amounts reported for governmental activities in the statement  
of net assets are different because:*

Capital assets used in governmental activities are not financial  
resources and therefore are not reported in the funds 628,739

Long-term liabilities, including bonds payable, are not due and payable  
in the current period and therefore are not reported in the funds.

Current portion of bonds payable	\$ 14,513	
Current portion of compensated absences	14,973	
Compensated absences	44,919	
Marquette County Road Commission projects	20,915	
Bonds payable	33,219	
		(128,539)

**NET ASSETS OF GOVERNMENTAL ACTIVITIES** \$ 2,994,969

The accompanying notes are an integral part of these financial statements.

**CHARTER TOWNSHIP OF CHOCOLAY, MICHIGAN**

**GOVERNMENTAL FUNDS**

**STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCE**

**FOR THE YEAR ENDED DECEMBER 31, 2006**

	<b>General Fund</b>	<b>Capital Improvement Fund</b>	<b>Total Governmental Funds</b>
<b>REVENUES:</b>			
Taxes	\$ 580,854	\$ -	\$ 580,854
Licenses and permits	7,124	-	7,124
State sources	485,740	2,068	487,808
Local sources	-	183,402	183,402
Charges for services	207,707	-	207,707
Interest	40,215	51,732	91,947
Other	76,898	28,244	105,142
<b>TOTAL REVENUES</b>	<b>1,398,538</b>	<b>265,446</b>	<b>1,663,984</b>
<b>EXPENDITURES:</b>			
Current operations:			
Legislative	24,191	-	24,191
General services and administration	304,933	-	304,933
Public safety	336,039	-	336,039
Public works	147,363	-	147,363
Community and economic development	42,555	-	42,555
Recreation and culture	58,783	-	58,783
Other	280,071	-	280,071
Capital outlay	-	244,094	244,094
<b>TOTAL EXPENDITURES</b>	<b>1,193,935</b>	<b>244,094</b>	<b>1,438,029</b>
<b>EXCESS OF REVENUES OVER (UNDER) EXPENDITURES</b>	<b>204,603</b>	<b>21,352</b>	<b>225,955</b>
<b>OTHER FINANCING SOURCES (USES):</b>			
Transfers in	-	54,405	54,405
Transfers (out)	(54,405)	-	(54,405)
<b>TOTAL OTHER FINANCING SOURCES (USES)</b>	<b>(54,405)</b>	<b>54,405</b>	<b>-</b>
<b>CHANGE IN FUND BALANCE</b>	<b>150,198</b>	<b>75,757</b>	<b>225,955</b>
Fund balance, beginning of year	924,155	1,344,659	2,268,814
<b>FUND BALANCE, END OF YEAR</b>	<b>\$1,074,353</b>	<b>\$ 1,420,416</b>	<b>\$ 2,494,769</b>

The accompanying notes are an integral part of these financial statements.



CHARTER TOWNSHIP OF CHOCOLAY, MICHIGAN

RECONCILIATION OF THE STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN  
FUND BALANCES OF GOVERNMENTAL FUNDS TO THE STATEMENT OF ACTIVITIES

FOR THE YEAR ENDED DECEMBER 31, 2006

**Net Change in Fund Balances - Total Governmental Funds** \$ 225,955

*Amounts reported for governmental activities in the statement  
of activities are different because:*

Governmental funds report capital outlays as expenditures. However,  
in the statement of activities, the cost of those assets is allocated  
over their estimated useful lives as depreciation expense. This is  
the amount by which capital outlays exceeded depreciation in the  
current period.

Capital outlays	\$ 45,533	
Depreciation expense	(113,316)	
Gain (loss) on disposal	<u>-</u>	(67,783)

The unpaid portion of road construction projects is not recorded  
needs to be recorded as an expense and liability (20,915)

Repayment of bond principal is an expenditure in the governmental  
funds but the repayment reduces long-term liabilities in the statement  
of net assets. 13,545

Some expenses reported in the statement of activities, such as  
compensated absences, do not require the use of current financial  
resources and therefore are not reported as expenditures in  
governmental funds. 70

**CHANGE IN NET ASSETS OF GOVERNMENTAL ACTIVITIES** \$ 150,872

The accompanying notes are an integral part of these financial statements.

CHARTER TOWNSHIP OF CHOCOLAY, MICHIGAN

PROPRIETARY FUNDS

STATEMENT OF NET ASSETS

DECEMBER 31, 2006

		Business - Type Activities Enterprise Funds
		Wastewater Treatment Operating Fund
<b>ASSETS:</b>		
Current Assets:		
Cash and cash equivalents	\$	889,983
Cash and cash equivalents - restricted		20,292
Accounts receivable, net		86,412
Due from other funds		853
<b>TOTAL CURRENT ASSETS</b>		<b>997,540</b>
Non-current Assets:		
Investment in wastewater treatment facility		439,849
Land and construction in progress		5,555
Capital assets		2,165,654
Accumulated depreciation		(1,303,569)
<b>TOTAL NON-CURRENT ASSETS</b>		<b>1,307,489</b>
<b>TOTAL ASSETS</b>		<b>2,305,029</b>
<b>LIABILITIES:</b>		
Current Liabilities:		
Accounts payable		19,757
Accrued payroll and related liabilities		865
Security deposits		348
Current portion of long-term debt		16,540
<b>TOTAL CURRENT LIABILITIES</b>		<b>37,510</b>
Non-current Liabilities:		
Bond payable		16,381
<b>TOTAL NON-CURRENT LIABILITIES</b>		<b>16,381</b>
<b>TOTAL LIABILITIES</b>		<b>53,891</b>
<b>NET ASSETS:</b>		
Invested in capital assets net of related debt		834,719
Restricted - debt service		20,292
Unrestricted		1,396,127
<b>TOTAL NET ASSETS</b>	<b>\$</b>	<b>2,251,138</b>

The accompanying notes are an integral part of these financial statements.

**CHARTER TOWNSHIP OF CHOCOLAY, MICHIGAN**

**PROPRIETARY FUNDS**

**STATEMENT OF REVENUES, EXPENSES AND CHANGES IN NET ASSETS**

**FOR THE YEAR ENDED DECEMBER 31, 2006**

	<b>Business - Type Activities Enterprise Funds Wastewater Treatment Operating Fund</b>
<b>OPERATING REVENUES:</b>	
Charges for services (net)	\$ 220,280
Other operating revenue	4,152
<b>TOTAL OPERATING REVENUES</b>	<b>224,432</b>
<b>OPERATING EXPENSES:</b>	
Personnel services	42,485
Supplies	471
Other services and charges	104,910
Depreciation	53,355
<b>TOTAL OPERATING EXPENSES</b>	<b>201,221</b>
<b>OPERATING INCOME (LOSS)</b>	<b>23,211</b>
<b>NON-OPERATING REVENUES (EXPENSES):</b>	
Investment income	36,638
Gain (loss) on investment in wastewater treatment facility	6,666
Interest expense	(3,828)
<b>TOTAL NON-OPERATING REVENUES (EXPENSES)</b>	<b>39,476</b>
<b>CHANGE IN NET ASSETS</b>	<b>62,687</b>
Net assets, beginning of year	2,188,451
<b>NET ASSETS, END OF YEAR</b>	<b>\$ 2,251,138</b>

The accompanying notes are an integral part of these financial statements.

CHARTER TOWNSHIP OF CHOCOLAY, MICHIGAN

PROPRIETARY FUNDS

STATEMENT OF CASH FLOWS

FOR THE YEAR ENDED DECEMBER 31, 2006

	Business -Type Activities Enterprise Funds Wastewater Treatment Operating Fund
<b>CASH FLOWS FROM OPERATING ACTIVITIES:</b>	
Cash received from charges for services	\$ 220,018
Other operating revenues	4,152
Cash payments to employees for services and fringe benefits	(42,434)
Cash payments to suppliers for goods and services	(89,351)
<b>NET CASH PROVIDED (USED) BY OPERATING ACTIVITIES</b>	<b>92,385</b>
<b>CASH FLOWS FROM CAPITAL AND RELATED FINANCING ACTIVITIES:</b>	
Cash payments for capital assets	(23,316)
Gain (loss) on investment in wastewater treatment facility	-
Interest payments on bonds	(3,827)
Principal payments on bonds	(16,540)
<b>NET CASH PROVIDED (USED) BY CAPITAL AND RELATED FINANCING ACTIVITIES</b>	<b>(43,683)</b>
<b>CASH FLOWS FROM INVESTING ACTIVITIES:</b>	
Interest income	36,637
(Additions) deductions to restricted assets	75
<b>NET CASH PROVIDED (USED) BY INVESTING ACTIVITIES</b>	<b>36,712</b>
<b>NET INCREASE (DECREASE) IN CASH AND CASH EQUIVALENTS</b>	<b>85,414</b>
Cash and cash equivalents, beginning of year	804,569
<b>CASH AND CASH EQUIVALENTS, END OF YEAR</b>	<b>\$ 889,983</b>
<b>RECONCILIATION OF OPERATING INCOME TO NET CASH PROVIDED (USED) BY OPERATING ACTIVITIES:</b>	
Operating income (loss)	\$ 23,211
Adjustments to reconcile operating income to net cash provided by operating activities:	
Depreciation	53,355
Change in assets and liabilities:	
(Increase) decrease in accounts receivable	(262)
(Increase) decrease in due from funds	74
Increase (decrease) in accounts payable	15,956
Increase (decrease) in accrued payroll and related liabilities	51
Increase (decrease) in security deposits	-
<b>NET ADJUSTMENTS</b>	<b>69,174</b>
<b>NET CASH PROVIDED (USED) BY OPERATING ACTIVITIES</b>	<b>\$ 92,385</b>

The accompanying notes are an integral part of these financial statements.

CHARTER TOWNSHIP OF CHOCOLAY, MICHIGAN

FIDUCIARY FUNDS

STATEMENT OF FIDUCIARY NET ASSETS

DECEMBER 31, 2006

	<u>Agency Funds</u>
<b>ASSETS:</b>	
Cash and cash equivalents	<u>\$     269,798</u>
<b>TOTAL ASSETS</b>	<u><u>\$     269,798</u></u>
<b>LIABILITIES:</b>	
Due to others	<u>\$     201,672</u>
Due to other funds	<u>      68,126</u>
<b>TOTAL LIABILITIES</b>	<u><u>\$     269,798</u></u>

The accompanying notes are an integral part of these financial statements.

CHARTER TOWNSHIP OF CHOCOLAY, MICHIGAN  
NOTES TO FINANCIAL STATEMENTS

December 31, 2006

**NOTE A – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES:**

The financial statements of the Township have been prepared in accordance with generally accepted accounting principles (GAAP) as applied to governmental units. The Governmental Accounting Standards Board (GASB) is responsible for establishing GAAP for state and local governments through its pronouncements (Statements and Interpretations). Governments are also required to follow the pronouncements of the Financial Accounting Standards Board (FASB) issued through November 30, 1989 (when applicable) that do not conflict with or contradict GASB pronouncements. The more significant of these accounting policies established in GAAP and used by the Township are described below.

**(1) REPORTING ENTITY**

The Township's financial statements present the Township (the primary government). In evaluating the Township as a reporting entity, management has addressed all potential component units (traditionally separate reporting units) for which the Township may or may not be financially accountable and, as such, be includable within the Township's financial statements.

**(2) BASIC FINANCIAL STATEMENTS – GOVERNMENT-WIDE FINANCIAL STATEMENTS:**

The Township's basic financial statements include both government-wide (reporting the Township as a whole) and fund financial statements (reporting the Township's major funds). Both the government-wide and fund financial statements categorize primary activities as either governmental or business-type. The Township's legislative, public works, public safety, community and economic development, recreation and culture and general services and administration are classified as governmental activities. The Township's Wastewater Treatment Facility is classified as business-type activities.

In the government-wide Statement of Net Assets, both the governmental and business-type activities columns are presented on a consolidated basis by column and are reported on a full accrual, economic resource basis, which recognizes all long-term assets and receivables as well as long-term debt and obligations. The Township's net assets are reported in three parts – invested in capital assets, net of related debt; restricted net assets; and unrestricted net assets. The Township first utilizes restricted resources to finance qualifying activities.

The government-wide Statement of Activities reports both the gross and net cost of each of the Township's functions and business-type activities. The functions are also supported by general government revenues (property, sales and use taxes, certain intergovernmental revenues, fines, permits and charges, etc.) The Statement of Activities reduces gross expenses (including depreciation) by related program revenues, operating and capital grants. Program revenues must be directly associated with the function or a business-type activity. Operating grants include operating-specific and discretionary (either operating or capital) grants while the capital grants column reflects capital-specific grants. The net costs (by function or business-type activity) are normally covered by general revenue.

## **NOTE A – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued):**

The government-wide focus is more on the sustainability of the Township as an entity and the change in the Township's net assets resulting from the current year's activities. For the most part, the effect of interfund activities has been removed from these statements.

### **(3) BASIC FINANCIAL STATEMENTS – FUND FINANCIAL STATEMENTS:**

The financial transactions of the Township are reported in individual funds in the fund financial statements. Each fund is accounted for by providing a separate set of self-balancing accounts that comprises its assets, liabilities, reserves, fund equity, revenues and expenditures/expenses. The various funds are reported by generic classification within the financial statements.

The following fund types are used by the Township:

#### ***Governmental Funds:***

The focus of the governmental funds' measurement (in the fund statements) is upon determination of financial position (sources, uses, and balances of financial resources) rather than upon net income. The following is a description of the governmental funds of the Township:

- ***General Fund*** – General Fund is the general operating fund and, accordingly, it is used to account for all financial resources except those required to be accounted for in another fund.
- ***Capital Projects Fund*** – Capital Projects Fund is used to account for financial resources to be used for the acquisition of construction of major capital facilities (other than those financed by business-type/proprietary funds).

#### ***Proprietary Funds***

The focus of proprietary fund measurement is upon determination of operating income, changes in net assets, financial position, and cash flows. The generally accepted accounting principles applicable are those similar to businesses in the private sector. The following is a description of the proprietary funds of the Township:

- ***Enterprise Funds*** – Enterprise Funds are used to account for operations (a) that are financed and operated in a manner similar to private business enterprises - where the intent of the governing body is that the cost (expenses, including depreciation) of providing goods or services to the general public on a continuing basis be financed or recovered primarily through user charges; or (b) where the governing body has decided that periodic determination of revenues earned, expenses incurred, and/or net income is appropriate for capital maintenance, public policy, management control, accountability, or other purposes.

#### ***Fiduciary Funds***

Fiduciary funds are used to report assets held in a trustee or agency capacity for others and therefore are not available to support Township programs. The agency fund is custodial in nature and does not present results of operations or have a measurement focus.

## NOTE A – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued):

The emphasis in fund financial statements is on the major funds in either the governmental or business-type activities categories. Nonmajor funds by category are summarized into a single column. GASB Statement No. 34 sets forth minimum criteria (percentage of the assets, liabilities, revenues or expenditures/expenses of either fund category or the governmental and enterprise combined) for the determination of major funds.

The Township reports the following major governmental funds:

- The **General Fund** is the Township's primary operating fund. It accounts for all financial resources of the general government, except those required to be accounted for in another fund.
- The **Capital Improvement Fund** accounts for the purchase of capital assets of the Township.

The Township reports the following major proprietary funds:

- The **Wastewater Treatment Fund** accounts for the management of wastewater treatment services including billing, maintenance and construction.

The Township's fiduciary funds are presented in the fiduciary fund financial statements by type (agency). Since by definition these assets are being held for the benefit of a third party (other local governments, private parties, etc.) and cannot be used to address activities or obligations of the Township, these funds are not incorporated into the government-wide statements.

### (4) BASIS OF ACCOUNTING

Basis of accounting refers to the point at which revenues or expenditures/expenses are recognized in the accounts and reported in the financial statements. It relates to the timing of the measurements made regardless of the measurement focus applied.

#### *Accrual*

Both governmental and business-type activities in the government-wide financial statements and the proprietary and fiduciary fund financial statements are presented on the accrual basis of accounting. Revenues are recognized when earned and expenses are recognized when incurred, regardless of the timing of related cash flows. Property taxes are recognized as revenues in the year for which they are levied. Grants and similar items are recognized as revenues as soon as all eligibility requirements imposed by the provider have been met.

All enterprise funds apply Financial Accounting Standards Board (FASB) pronouncements and Accounting Principles Board (APB) opinions issued on or before November 30, 1989, unless those pronouncements conflict with or contradict GASB pronouncements, in which case, GASB prevails. Their revenues are recognized when they are earned, and their expenses are recognized when they are incurred.



## **NOTE A – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued):**

### ***Modified Accrual***

The governmental funds financial statements are presented on the modified accrual basis of accounting. Under the modified basis of accounting, revenues are recorded when they are both measurable and available. “Available” means collectible within the current period or within 60 days of the end of the current fiscal period. Expenditures are generally recognized under the modified accrual basis of accounting when the related liability is incurred. However, debt service expenditures, compensated absences, and claims and judgments are recorded only when payment is due.

## **(5) FINANCIAL STATEMENT AMOUNTS**

**Budgets and Budgetary Accounting** – The Township follows these procedures in establishing the budgetary data reflected in the financial statements:

- a. The Township Supervisor submits to the Township Board of Trustees a proposed operating budget for the fiscal year commencing the following January 1. The operating budget includes proposed expenditures and the means of financing them.
- b. Numerous opportunities exist for public comment during the budget process including at least two formal public hearings conducted at the Township Hall to obtain taxpayer comment.
- c. Pursuant to statute, prior to December 31 of each year the budget for the ensuing year is legally enacted through adoption of an Annual General Appropriations Act.
- d. The general statute governing Township budgetary activity is the State of Michigan Uniform Budgeting and Accounting Act. In addition to the provisions of the said Act and Board policy, general statements concerning the Board’s intent regarding the administration of each year’s budget are set out in the Annual General Appropriations Act. The Chocolay Township Board of Trustees, through policy action, specifically directs the Supervisor not to authorize or participate in any expenditure of funds except as authorized by the Annual General Appropriations Act. The Board recognized that, in addition to possible Board sanctions for willful disregard of this policy, State statutes provide for civil liability for violations of the Annual General Appropriations Act.
- e. The Supervisor is authorized by means of Township policy to make certain transfers:
  1. The Supervisor receives a request for a budget transfer from the head of the department whose budget is to be affected. Such request must specify the necessity for the transfer, the account name and/or group(s) and amount to be affected within prescribed limitations. Transfers in excess of those limitations must be approved by the Board of Trustees.

## NOTE A – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued):

2. The following considerations must be reviewed in determination of transfer approvals:
  - a. Are the transfers consistent with the intent of the Board of Trustees in adopting the annual budget?
  - b. Will the transfer maintain the financial integrity of the Township?
  - c. Will the transfer provide a reasonable solution to the departmental operating problem?

Considering the above, the Supervisor will then decide whether or not the transfer should be made.

Supplemental appropriations are submitted to and reviewed by the Supervisor and submitted to the Township Board of Trustees for their review and approval. If approved, they are implemented by the Supervisor through a budget revision.

- f. The Charter Township of Chocoday adopts its Annual Budget on a departmental basis. At each level of detail, governmental operations are summarized into expenditure account groups. Funding sources are also identified and adopted at each level of detail. Budgetary controls exist at the most detailed level adopted by the Board of Trustees, i.e., department for analytical purposes. A detailed line item breakdown is prepared for each program. Accounting, i.e., classification control, resides at the line item detail level.
- g. Budgets for the General Funds were adopted in substance on an accrual basis which is consistent with generally accepted accounting principles. Budgeted amounts as reported in the Financial Report are as originally adopted and/or amended by the Township Board of Trustees.

***Cash Equivalents and Investments*** – For the purposes of balance sheet classification and the statement of cash flows, cash and equivalents consist of demand deposits, cash in savings, money market accounts and short-term certificates of deposit with original maturity of three months or less. Investments are carried at fair value.

***Capital Assets*** – Capital assets, which include property, plant, equipment and infrastructure assets (e.g. streets, bridges, and sidewalks), are reported in the applicable governmental or business-type activities columns in the government-wide financial statements. Capital assets are defined by the Township as assets with an initial, individual cost of more than \$5,000 and an estimated useful life in excess of five years.

All capital assets are valued at historical cost or estimated historical cost if actual historical cost is not available. Donated capital assets are valued at their fair value on the date donated. Depreciation on all exhaustible capital assets is charged as an expense against their operations in government-wide statements and proprietary financial statements. Accumulated depreciation is reported on government-wide and proprietary statement of net assets. Depreciation has been provided over the estimated useful lives using the straight-line method. The estimated useful lives are as follows:

## NOTE A – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued):

Land improvements	15 years
Building, structures and improvements	40 years
Equipment	5 years
Water and Sewage System	20-50 years
Vehicles	5 years
Infrastructure	20-50 years

***Long-Term Liabilities*** – In the government-wide financial statements and proprietary fund types in the fund financial statements, long-term debt and other long-term obligations are reported as liabilities in the applicable governmental activities and business-type activities or proprietary fund type statement of net assets. In the fund financial statements, the face amount of debt issued is reported as other financing sources.

***Estimates*** – The preparation of financial statements in conformity with generally accepted accounting principles requires the use of estimates and assumptions that affect the reporting of certain assets, liabilities, revenues, and expenditures. Actual results may differ from estimated amounts.

***Property Taxes*** – Property taxes are levied as of December 1 of each year and are due by the last day of the following March. The taxes are collected by the local unit and periodically remitted to the third parties during the collection period.

***Compensated Absences*** – The Township accrues accumulated unpaid vacation and sick leave days and associated employee-related costs when earned (or estimated to be earned) by the employee. The noncurrent portion (the amount estimated to be used in subsequent fiscal years) for governmental funds is maintained separately and represents a reconciling item between the fund and government-wide presentations.

***Deferred Revenues*** – Deferred revenues are those where asset recognition criteria have been met, but for which revenue recognition criteria have not been met.

General Fund deferred revenue of \$550,626 relating to taxes was levied on December 1, 2006.

***Interfund Activity*** – Interfund activity is reported as either loans, services provided, reimbursements or transfers. Loans are reported as interfund receivables and payables as appropriate and are subject to elimination upon consolidation. Services provided, deemed to be at market or near market rates, are treated as revenues and expenditures/expenses. Reimbursements occur when one fund incurs a cost, charges the appropriate benefiting fund and reduces its related cost as a result of the reimbursement. All other interfund transactions are treated as transfers. Transfers between governmental or proprietary funds are netted as part of the reconciliation to the government-wide financial statements.

## NOTE B – DEPOSITS AND INVESTMENTS:

### Cash Equivalents

The following is a reconciliation of cash and investments for both the unrestricted and restricted assets for the primary government from the Statement of Net Assets:

	Primary Government	Fiduciary Funds	Total
Unrestricted:			
Cash and cash equivalents	\$3,382,746	\$269,798	\$3,652,544
Investments	<u>-</u>	<u>-</u>	<u>-</u>
	<u>3,382,746</u>	<u>269,798</u>	<u>3,652,544</u>
Restricted:			
Cash and cash equivalents	20,292	-	20,292
Investments	<u>-</u>	<u>-</u>	<u>-</u>
	<u>20,292</u>	<u>-</u>	<u>20,292</u>
TOTALS	<u>\$3,403,038</u>	<u>\$269,798</u>	<u>\$3,672,836</u>

### *Custodial Credit Risk – Deposits*

Custodial credit risk is the risk that in the event of a bank failure, the Township's deposits may not be returned to it. State law does not require and the Township does not have a deposit policy for custodial credit risk. The carrying amounts of the primary government and fiduciary fund's deposits with financial institutions were \$3,672,836 and the bank balance was \$3,567,518. The bank balance is categorized as follows:

Amount insured by the FDIC or uncollateralized with securities held by the Township in its name	\$1,200,000
Amount collateralized with securities held by the pledging financial institutions trust department in the Township's name:	
Collateralized and uninsured	2,367,518
TOTAL	<u>\$3,567,518</u>

### Investments

As of December 31, 2006, the Township did not have any investments.

### *Interest Rate Risk*

Interest rate risk is the risk that changes in interest rates will adversely affect the fair value of the Township's investments. The Township does not have a formal investment policy that limits investment maturities as a means of managing its exposure to fair value losses arising from increasing interest rates.

### *Credit Risk*

Michigan statutes (Act 196, PA 1997) authorize the Township to invest in bonds, other direct obligations and repurchase agreements of the United States, certificates of deposits, savings accounts, deposit accounts or receipts of a bank which is a member of the FDIC and authorized to operate in this state, commercial paper rated at the time of purchase within the two highest classifications established by not less than two standard rating services and matures within 270 days from date of purchase, bankers' acceptances of the United States banks, obligations of the State of Michigan and its political subdivisions, external investment pools, and certain mutual funds. Michigan law prohibits security in the form of collateral, surety bond, or another form for the deposit of public money.

**NOTE B – DEPOSITS AND INVESTMENTS (Continued):**

The Township has no investment policy that would further limit its investment choices. The Township's investments are rated as noted above. Ratings are not required for the Township's investment in equity-type funds. The Township's investments are in accordance with statutory authority.

*Concentration of Credit Risk*

The Township places no limit on the amount the Township may invest in any one issuer.

**NOTE C – INTERFUND BALANCES:**

The County of Houghton, Michigan reports interfund balances between many of its funds. Some of the balances are considered immaterial and are aggregated into a single column or row. The total of all balances agrees with the sum of interfund balances presented in the statements of net assets/balance sheet for governmental funds. Interfund transactions resulting in interfund receivables and payables are as follows:

		Due To Other Funds		
		General Fund	Enterprise Funds	Total
Due From Other Funds	Fiduciary Funds	\$67,273	\$853	\$68,126
	Total	\$67,273	\$853	\$68,126

All balances resulted from the time lag between the dates that (1) interfund goods and services are provided or reimbursable expenditures occur, (2) transactions are recorded in the accounting system, and (3) payments between funds are made.

		Transfers (Out)	
		General Fund	Total
Transfers In	Capital Improvement Fund	\$54,405	\$54,405
	Total	\$54,405	\$54,405

Transfers are used to (1) move revenues from the fund that statute or budget requires to collect them to the fund that statute or budget requires to expend them and (2) moves receipts restricted to debt service from the funds collecting the receipts to the debt service funds as debt service payments become due, and (3) use unrestricted revenues collected in the general fund to finance various programs accounted for in other funds in accordance with budgetary authorizations.

## NOTE D – CAPITAL ASSETS:

A summary of the capital assets of the Governmental Activities is as follows:

	Balance at January 1, 2006	Additions	Disposals	Balance at December 31, 2006
<b>GOVERNMENTAL ACTIVITIES:</b>				
Land	\$ 190,000	\$ -	\$ -	\$ 190,000
Total Capital Assets, not being depreciated	<u>190,000</u>	<u>-</u>	<u>-</u>	<u>190,000</u>
Buildings and improvements	685,000	-	-	685,000
Land improvements	287,000	-	-	287,000
Furniture and equipment	<u>884,881</u>	<u>45,533</u>	<u>-</u>	<u>930,414</u>
Total Capital Assets Being depreciated	<u>1,856,881</u>	<u>45,533</u>	<u>-</u>	<u>1,902,414</u>
Less Accumulated Depreciation:				
Buildings and improvements	(442,875)	(17,125)	-	(460,000)
Land improvements	(155,133)	(15,800)	-	(170,933)
Furniture and equipment	<u>(752,350)</u>	<u>(80,391)</u>	<u>-</u>	<u>(832,742)</u>
Total Accumulated Depreciation	<u>(1,350,358)</u>	<u>(113,316)</u>	<u>-</u>	<u>(1,463,675)</u>
Governmental Activities Capital Assets, Net	<u>\$ 696,523</u>	<u>\$(67,783)</u>	<u>\$ -</u>	<u>\$ 628,739</u>

Depreciation expense for the governmental activities was charged to the following functions and activities of the primary government:

General and Administrative	\$ 26,136
Public Safety	68,264
Public Works	1,491
Recreation and Culture	17,425
Total	<u>\$113,316</u>

A summary of changes in business-type activities capital assets is as follows:

	Balance at January 1, 2006	Additions	Disposals	Balance at December 31, 2006
<b>BUSINESS-TYPE ACTIVITIES:</b>				
Land	\$ 5,555	\$ -	\$ -	\$ 5,555
Total Capital Assets, not being depreciated	<u>5,555</u>	<u>-</u>	<u>-</u>	<u>5,555</u>
Buildings and improvements	2,121,368	-	-	2,121,368
Equipment	<u>36,401</u>	<u>23,317</u>	<u>(15,432)</u>	<u>44,286</u>
Total Capital Assets, being depreciated	<u>2,157,769</u>	<u>23,317</u>	<u>(15,432)</u>	<u>2,165,654</u>
Less Accumulated Depreciation:				
Buildings and improvements	(1,237,306)	(48,386)	-	(1,285,692)
Equipment	<u>(28,340)</u>	<u>(4,969)</u>	<u>15,432</u>	<u>(17,877)</u>
Total Accumulated Depreciation	<u>(1,265,646)</u>	<u>(53,355)</u>	<u>15,432</u>	<u>(1,303,569)</u>
	<u>\$ 897,678</u>	<u>\$(30,038)</u>	<u>\$ -</u>	<u>\$ 867,640</u>

Depreciation expense for the business-type activities was charged to the following functions and activities of the primary government:

**NOTE D – CAPITAL ASSETS (Continued):**

Business-Type Activities:	
Wastewater Treatment Facility	<u>\$53,355</u>
Total Depreciation Expense – Business-Type Activities	<u>\$53,355</u>

**NOTE E – VESTED EMPLOYEE BENEFITS:**

Employees earn sick leave at the rate of one (1) day per month, not to exceed 12 days per year. During 1994 the Township adopted a payout provision stating that upon retirement, death, or disability, employees with one or more years of service shall be paid for 50% of their accumulated leave up to a maximum of 90 days at their current rate of pay.

Employees earn vacation leave at various schedules dependent upon their length of employment. Upon retirement, death, termination or disability, employees or their estates are paid for all outstanding vacation days accumulated at their current rate of pay.

	<u>Accrued Sick and Vacation</u>
Primary Government:	
Current portion	\$ 14,973
Long-term portion	<u>44,920</u>
Total	<u>\$59,893</u>

**NOTE F – LONG-TERM DEBT:**

SCHEDULE OF MARQUETTE COUNTY REFUNDING BONDS  
UNLIMITED TAX, SERIES 1998  
December 31, 2006

		<u>December 1</u>		
	<u>June 1</u>	<u>Interest</u>	<u>Principal</u>	<u>Total</u>
2007	\$1,100	\$2,651	\$16,540	\$20,291
2008	558	2,784	16,381	19,723
TOTALS	<u>\$1,658</u>	<u>\$5,435</u>	<u>\$32,921</u>	<u>\$40,014</u>

The Bonds originally issued for \$153,510 and dated December 7, 1998 mature annually as scheduled above and bears interest at 4.3 per annum.

SCHEDULE OF MARQUETTE COUNTY LANDFILL BOND  
December 31, 2006

	<u>May</u>		<u>November</u>	
	<u>Principal</u>	<u>Interest</u>	<u>Interest</u>	<u>Total</u>
2007	\$14,513	\$1,814	\$1,262	\$17,589
2008	15,803	1,262	662	17,727
2009	17,416	662	-	18,078
TOTALS	<u>\$47,732</u>	<u>\$3,738</u>	<u>\$1,924</u>	<u>\$53,394</u>

The Bonds originally issued for \$171,920 and dated September 11, 1991 mature annually as scheduled above and bears a variable interest rate.

**NOTE F – LONG-TERM DEBT (Continued):**

Changes in long-term debt principal during the period ended December 31, 2006 are summarized as follows:

	January 1, 2006	Additions	Subtractions	December 31, 2006	Due Within One Year
<b>Governmental Activities:</b>					
This debt represents the Township's share of the Bond to form the Joint Venture in the Marquette County Solid Waste Management Authority.	\$61,277	\$ -	\$13,545	\$47,732	\$14,513
Outstanding payable to the Marquette County Road Commission for Road Improvements within the township, not yet paid at year end.	-	20,915	-	20,915	20,915
<b>Total Governmental Activities</b>	<u>61,277</u>	<u>-</u>	<u>13,545</u>	<u>68,647</u>	<u>35,428</u>
<b>Business-Type Activities:</b>					
This debt represents the Township's share of the Bond to form the Joint venture in the Marquette Area Wastewater Treatment Facility.	49,461	-	16,640	32,821	16,540
<b>Total Business-Type Activities</b>	<u>49,461</u>	<u>-</u>	<u>16,640</u>	<u>32,821</u>	<u>16,540</u>
<b>TOTAL PRIMARY GOVERNMENT LONG-TERM DEBT</b>	<u>\$110,738</u>	<u>\$20,915</u>	<u>\$30,185</u>	<u>\$101,468</u>	<u>\$51,968</u>

Annual maturities on the Long Term Debt are as follows:

	Governmental Activities	Governmental Activities	Business Type Activities	Business Type Activities
	Principal	Interest	Principal	Interest
2007	\$35,428	\$3,076	\$16,540	\$3,751
2008	15,806	1,924	16,381	19,723
2009	17,413	662	-	-
<b>Total</b>	<u>\$68,647</u>	<u>\$5,662</u>	<u>\$32,921</u>	<u>\$23,464</u>

**NOTE G – RESERVED AND DESIGNATED NET ASSETS:**

The Wastewater Treatment Fund has reserved net assets totaling \$20,292 which represents the balance available to pay down debt.

**NOTE H – PROPERTY TAXES:**

The Local Governmental Unit property tax is levied on each December 1<sup>st</sup> on the taxable valuation of property (as defined by State statutes) located in the Local Governmental Unit as of the preceding December 31<sup>st</sup>.

Although the Local Governmental Unit 2005 ad valorem tax is levied and collectible on December 1, 2005, it is the Local Governmental Unit's policy to recognize revenue from the current tax levy in the following year when the proceeds of this levy are budgeted and made "available" for the financing of operations. "Available" means collected within the current period or expected to be collected soon enough thereafter to be used to pay liabilities of the current period (60) days.

The 2005 taxable valuation of the Local Governmental Unit totaled \$131,184,870, on which ad valorem taxes levied consisted of 4.0144 mills for the Local Governmental Unit operation purposes. These amounts are recognized in the General Fund financial statements as revenue.



## **NOTE I – OTHER POST EMPLOYMENT BENEFITS:**

The Charter Township of Chocolay offers group benefit health insurance coverage under personnel policy covering substantially all employees and former employees of the Township. This benefit is accounted for on the pay-as-you-go method, whereby the Township is reporting the amounts paid as expenditures in the year the amount is paid for the benefit provided. The amount paid for employees for the period ended December 31, 2006 was \$-0-.

## **NOTE J – CONTINGENT LIABILITIES:**

Risk Management – The Township is exposed to various risks of loss related to torts; theft of, damage to, and destruction of assets; errors and omissions; injuries to employees; and natural disasters. The Township has obtained commercial insurance to handle its risk of loss.

## **NOTE K – INVESTMENT IN WASTEWATER TREATMENT FACILITY:**

On April 7, 1977, and May 31, 1983 the Charter Township of Chocolay, The City of Marquette, and Township of Marquette entered into contracts to construct and operate a secondary wastewater treatment facility to be known as the "Marquette Area Wastewater Treatment Facility". Under those agreements the Township of Chocolay would own 14.7% of the facility, the Township of Marquette would own 5.5% and the City of Marquette would own 79.8%.

On July 1, 1993, there was an amendment to the Marquette County Wastewater Disposal system contract to change the ownership of the three partners involved. The Charter Township of Marquette paid to the City of Marquette and the Charter Township of Chocolay each the sum of \$54,743, representing an allocation of an additional 4.5% of the capacity of the Marquette Area Wastewater Treatment Facility to Marquette Township. During fiscal 1998, the County of Marquette issued refunding bonds – unlimited tax series 1998, to partially refund the original bond issue. The new ownership percentages for the City of Marquette, Charter Township of Chocolay, and Charter Township of Marquette are 77.55%, 12.45%, and 10.00%, respectively.

The construction of the Facility was partially financed through \$2.5 million general obligation bonds which were partially refunded during fiscal 1998 and issued by Marquette County for which the full faith and credit of the two Townships and the City of Marquette have been pledged. Repayment of the County of Marquette bonds and the interest thereon is the contractual responsibility of the owners of the project based on their share of the ownership. The total investment in the Facility at December 31, 2005 by the Township is \$436,000 including local contributions and its proportionate share of the net equity of the Facility. The Township utilizes the equity method of accounting for the activity in its investment in the Facility. Under the equity method the investment is adjusted for any additional capital investments made and its proportionate share of the Facility's results of operations.

A summary of condensed financial information of the Facility, in the aggregate, for its fiscal year ended June 30, 2006 is as follows:

Assets	\$5,713,193
Liabilities	659,418
Fund Equity	5,053,775
Total Operating Revenues	1,211,520
Total Operating Expenses	1,643,593
Net income (loss)	(198,879)
Township's share of net income (loss)	6,301

## **NOTE L – JOINT VENTURE:**

In June 1988, Chocolay Township joined with 19 other municipalities to create the Marquette County Solid Waste Management Authority ("Authority"). The Authority was created pursuant to Act 233 of 1955 to plan for, acquire, construct, finance, operate, maintain, repair and dispose of, whether by sale, lease, or otherwise, an Act 641 landfill, including all improvements, appurtenances, easements, accessory facilities and structures, equipment, and other property part of or incidental to the landfill sufficient to satisfy the requirements of, and function as a solid waste disposal area under Act 641 and to establish and administer procedures providing for the separation, recycling, recovery, conversion of solid waste to energy and for the disposition of such energy output and disposal at the site of Non-toxic Type II and Type III Solid Waste, to fund all of the above activities, to charge and collect fees in connection with the operation of the landfill and to provide for the reimbursement with receipt of bond proceeds to the City of Marquette and Sands Township of their respective costs and expenses incurred in connection with the establishment and administration of the Solid Waste Authority and the System Facility.

The Authority is governed by a Board of Trustees consisting of one (1) member (who is the Chairperson of the board of Trustees) designated by the Sands Township Supervisor on behalf of the Sands Township, two (2) members designated by the Marquette City Commission; three (3) members designated by the Marquette County Board of Commissioners, and one resident of the City of Marquette appointed by the other 6 Authority Board members. All decisions of the Board are made by majority vote, consisting of at least four of its members.

The Township's share of assets, liabilities, and fund equity is approximately 10 percent. Summary financial information as of and for the fiscal year ended June 30, 2006, is as follows:

Total Assets	\$13,505,304
Total Liabilities	2,135,432
Total Equity	11,369,872
Total Operating Revenues	2,368,781
Total Operating Expenses	2,625,815
Net Income (loss)	(115,279)

The City of Marquette has pledged its full faith and credit for the Marquette County Solid Waste Management Authority Bonds, Series 1988. These bonds are payable from the net revenues of the Authority, as well as by each member of the Authority to the extent of their pro rata share of the principal and interest requirements on the bonds.

## **NOTE M – DEFERRED COMPENSATION PLAN:**

The Township offers its employees deferred compensation Plans created in accordance with the Internal Revenue Code, Section 457. The Plans are available to all employees. The Plans permit them to defer a portion of their current earnings until the employee's termination, retirement, death or unforeseeable future.

Due to changes in the Internal Revenue Code, the Plan's assets are considered to be property of the Plan's participants and are no longer subject to the Township's general creditors. Therefore, the Plan is no longer presented in these statements.

The Plan's participants have the right to designate how the funds will be invested. Accordingly, the Township has no liability for losses under the Plan. The Plan's assets are held in trust for the exclusive benefit of the Plan's participants and their beneficiaries.

**NOTE M – DEFERRED COMPENSATION PLAN (Continued):**

The Township's Plan is administered by American Express (full time employees) and Wells Fargo Mid America Retirement Solutions (part time employees, and as Plan Administrators, agree to hold harmless and indemnify the Board, it's appointed and elected officers and participating employees from any loss resulting from American Express or Wells Fargo or their agents' failure to perform their duties and services pursuant to the American Express or Wells Fargo program.

**NOTE N – JOINT VENTURE:**

In the 1980s, Chocolay Township joined with 5 other municipalities to create the Marquette Board of Light and Power Utility Review Committee ("Committee"). The Committee was created to act as the principal overseer of the activities of the Marquette Board of Light and Power on behalf of the member Townships and provide advice to the Township on short and long term issues affecting the distribution of electricity to the Townships.

The Committee is governed by a Board of Trustees consisting of one (1) member from each of the member townships. All decisions of the Board are made by majority vote, consisting of at least three of its members.

The Township's share of assets, liabilities, and fund equity is undetermined at this time. Summary financial information as of and for the fiscal year ended June 30, 2005, is as follows:

Total Assets	\$102,613
Total Liabilities	-
Total Equity	102,613
Total Operating Revenues	62,426
Total Operating Expenses	10,485
Net Income (loss)	51,941

The financial statement for the Marquette Board of Light and Power Utility Review Committee were not audited by us and therefore, we did not express an opinion on this financial amounts list above.

## REQUIRED SUPPLEMENTARY FINANCIAL INFORMATION

**CHARTER TOWNSHIP OF CHOCOLAY, MICHIGAN**

**GENERAL FUND**

**BUDGETARY COMPARISON SCHEDULE**

**FOR THE YEAR ENDED DECEMBER 31, 2006**

	<b>Budgeted Amounts</b>		<b>Actual GAAP Basis</b>	<b>Variance with Final Budget Positive (Negative)</b>
	<b>Original</b>	<b>Final</b>		
<b>REVENUES:</b>				
Taxes	\$ 579,908	\$ 579,908	\$ 580,854	\$ 946
Licenses and permits	4,550	4,550	7,124	2,574
State sources	477,025	495,931	485,740	(10,191)
Charges for services	203,000	203,000	207,707	4,707
Interest	18,000	18,000	40,215	22,215
Other revenues	55,500	82,477	76,898	(5,579)
<b>TOTAL REVENUES</b>	<b>1,337,983</b>	<b>1,383,866</b>	<b>1,398,538</b>	<b>14,672</b>
<b>EXPENDITURES:</b>				
Legislative	33,599	33,599	24,191	9,408
General services and administration	292,319	324,852	304,933	19,919
Public safety	351,941	374,857	336,039	38,818
Public works	186,948	186,948	147,363	39,585
Community and economic development	47,380	50,167	42,555	7,612
Recreation and culture	68,613	68,813	58,783	10,030
Other	351,891	339,338	280,071	59,267
<b>TOTAL EXPENDITURES</b>	<b>1,332,691</b>	<b>1,378,574</b>	<b>1,193,935</b>	<b>184,639</b>
<b>EXCESS OF REVENUES OVER (UNDER) EXPENDITURES</b>	<b>5,292</b>	<b>5,292</b>	<b>204,603</b>	<b>199,311</b>
<b>OTHER FINANCING SOURCES (USES):</b>				
Transfers (out)	(54,405)	(54,405)	(54,405)	-
<b>TOTAL OTHER FINANCING SOURCES (USES)</b>	<b>(54,405)</b>	<b>(54,405)</b>	<b>(54,405)</b>	<b>-</b>
<b>CHANGE IN FUND BALANCE</b>	<b>(49,113)</b>	<b>(49,113)</b>	<b>150,198</b>	<b>199,311</b>
Fund balance, beginning of year	924,155	924,155	924,155	-
<b>FUND BALANCE, END OF YEAR</b>	<b>\$ 875,042</b>	<b>\$ 875,042</b>	<b>\$ 1,074,353</b>	<b>\$ 199,311</b>

The accompanying notes are an integral part of these financial statements.

## OTHER SUPPLEMENTARY INFORMATION

**CHARTER TOWNSHIP OF CHOCOLAY, MICHIGAN**

**MAJOR GOVERNMENTAL FUNDS**

**GENERAL FUND**

**SCHEDULE OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCE -  
BUDGET AND ACTUAL**

FOR THE YEAR ENDED DECEMBER 31, 2006

	Final Budget	Actual GAAP Basis	Variance with Final Budget Positive (Negative)
<b>REVENUES:</b>			
Taxes:			
Current levy	\$ 526,629	\$ 525,950	\$ (679)
Penalties and interest	250	-	(250)
Trailer park fees	535	626	91
Payment in lieu of taxes	7,357	7,358	1
Tax collection fees	45,137	46,920	1,783
Total Taxes	<u>579,908</u>	<u>580,854</u>	<u>946</u>
Licenses and Permits:			
Animal licenses	550	609	59
Building permits	4,000	6,515	2,515
Total Licenses and Permits	<u>4,550</u>	<u>7,124</u>	<u>2,574</u>
State Sources:			
Public safety grants	18,906	20,983	2,077
Telecommunications	5,820	6,364	544
State revenue sharing	471,205	458,393	(12,812)
Total State Sources	<u>495,931</u>	<u>485,740</u>	<u>(10,191)</u>
Charges for Services:			
Franchise fees	43,000	56,274	13,274
Fire services	-	-	-
Refuse collection	160,000	151,433	(8,567)
Total Charges for Services	<u>203,000</u>	<u>207,707</u>	<u>4,707</u>
Interest	18,000	40,215	22,215
Total Interest	<u>18,000</u>	<u>40,215</u>	<u>22,215</u>
Other Revenues:			
Ordinance fines and costs	10,500	9,380	(1,120)
Administrative fee	-	-	-
Refunds and reimbursements	-	-	-
Miscellaneous other	71,977	67,518	(4,459)
Total Other Revenues	<u>82,477</u>	<u>76,898</u>	<u>(5,579)</u>
<b>TOTAL REVENUES</b>	<u>1,383,866</u>	<u>1,398,538</u>	<u>14,672</u>

**CHARTER TOWNSHIP OF CHOCOLAY, MICHIGAN**

**MAJOR GOVERNMENTAL FUNDS**

**GENERAL FUND**

**SCHEDULE OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCE -  
BUDGET AND ACTUAL**

FOR THE YEAR ENDED DECEMBER 31, 2006

	Final Budget	Actual GAAP Basis	Variance with Final Budget Positive (Negative)
<b>EXPENDITURES:</b>			
<b>LEGISLATIVE:</b>			
Board of Commissioners:			
Personnel services	\$ 4,150	\$ 3,236	\$ 914
Other services and charges	29,449	20,955	8,494
<b>TOTAL LEGISLATIVE</b>	<u>33,599</u>	<u>24,191</u>	<u>9,408</u>
<b>GENERAL SERVICES AND ADMINISTRATION:</b>			
Supervisor:			
Personnel services	80,403	78,001	2,402
Other services and charges	-	-	-
Capital outlay	2,920	2,381	539
<b>Total Supervisor</b>	<u>83,323</u>	<u>80,382</u>	<u>2,941</u>
Election:			
Personnel services	3,800	3,686	114
Supplies	3,000	2,192	808
Other services and charges	2,650	1,831	819
<b>Total Election</b>	<u>9,450</u>	<u>7,709</u>	<u>1,741</u>
Assessor:			
Personnel services	39,727	39,754	(27)
Supplies	1,941	1,379	562
Other services and charges	2,890	1,238	1,652
<b>Total Assessor</b>	<u>44,558</u>	<u>42,371</u>	<u>2,187</u>
Clerk:			
Personnel services	83,189	79,828	3,361
Supplies	3,750	3,282	468
Other services and charges	10,935	7,776	3,159
Capital outlay	-	-	-
<b>Total Clerk</b>	<u>97,874</u>	<u>90,886</u>	<u>6,988</u>
Board of Review:			
Personnel services	1,250	1,080	170
Other services and charges	270	267	3
<b>Total Board of Review</b>	<u>1,520</u>	<u>1,347</u>	<u>173</u>



# CHARTER TOWNSHIP OF CHOCOLAY, MICHIGAN

## MAJOR GOVERNMENTAL FUNDS

### GENERAL FUND

#### SCHEDULE OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCE - BUDGET AND ACTUAL

FOR THE YEAR ENDED DECEMBER 31, 2006

	Final Budget	Actual GAAP Basis	Variance with Final Budget Positive (Negative)
<b>Treasurer:</b>			
Personnel services	\$ 24,923	\$ 24,093	\$ 830
Supplies	3,520	3,135	385
Other services and charges	31,514	31,045	469
Capital outlay	1,000	125	875
Total Treasurer	60,957	58,398	2,559
<b>Township Hall and Grounds:</b>			
Supplies	8,050	8,190	(140)
Other services and charges	19,120	15,650	3,470
Total Township Hall and Grounds	27,170	23,840	3,330
<b>TOTAL GENERAL SERVICES AND ADMINISTRATION</b>	<b>324,852</b>	<b>304,933</b>	<b>19,919</b>
<b>PUBLIC SAFETY:</b>			
<b>Police Department:</b>			
Personnel services	261,607	242,283	19,324
Supplies	1,871	1,366	505
Other services and charges	28,087	24,129	3,958
Capital outlay	13,708	13,834	(126)
Total Police Department	305,273	281,612	23,661
<b>Fire Department:</b>			
Personnel services	32,784	27,474	5,310
Other services and charges	27,200	22,091	5,109
Capital outlay	9,600	4,862	4,738
Total Fire Department	69,584	54,427	15,157
<b>TOTAL PUBLIC SAFETY</b>	<b>374,857</b>	<b>336,039</b>	<b>38,818</b>
<b>PUBLIC WORKS:</b>			
<b>Streets:</b>			
Other services and charges	14,010	11,332	2,678
Total Streets	14,010	11,332	2,678

**CHARTER TOWNSHIP OF CHOCOLAY, MICHIGAN**

**MAJOR GOVERNMENTAL FUNDS**

**GENERAL FUND**

**SCHEDULE OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCE -  
BUDGET AND ACTUAL**

FOR THE YEAR ENDED DECEMBER 31, 2006

	Final Budget	Actual GAAP Basis	Variance with Final Budget Positive (Negative)
Refuse Collection:			
Personnel services	\$ 1,215	\$ 1,347	\$ (132)
Other services and charges	171,723	116,996	54,727
Debt payment	-	17,688	(17,688)
Total Refuse Collection	<u>172,938</u>	<u>136,031</u>	<u>36,907</u>
<b>TOTAL PUBLIC WORKS</b>	<u>186,948</u>	<u>147,363</u>	<u>39,585</u>
<b>COMMUNITY AND ECONOMIC DEVELOPMENT:</b>			
Zoning:			
Personnel services	25,260	25,261	(1)
Supplies	710	442	268
Other services and charges	3,600	2,783	817
Total Refuse Collection	<u>29,570</u>	<u>28,486</u>	<u>1,084</u>
Planning Commission:			
Personnel services	4,520	3,120	1,400
Supplies	550	430	120
Other services and charges	10,677	7,657	3,020
Total Planning Commission	<u>15,747</u>	<u>11,207</u>	<u>4,540</u>
Appeals Board (Zoning and Planning):			
Personnel services	3,000	1,685	1,315
Supplies	150	110	40
Other services and charges	1,700	1,067	633
Total Appeals Board (Zoning and Planning)	<u>4,850</u>	<u>2,862</u>	<u>1,988</u>
<b>TOTAL COMMUNITY AND ECONOMIC DEVELOPMENT</b>	<u>50,167</u>	<u>42,555</u>	<u>7,612</u>
<b>RECREATION AND CULTURE:</b>			
Parks and Properties:			
Personnel services	49,418	45,715	3,703
Other services and charges	13,895	8,068	5,827
Capital outlay	5,500	5,000	500
Total Parks and Properties	<u>68,813</u>	<u>58,783</u>	<u>10,030</u>
<b>TOTAL RECREATION AND CULTURE</b>	<u>68,813</u>	<u>58,783</u>	<u>10,030</u>

**CHARTER TOWNSHIP OF CHOCOLAY, MICHIGAN**

**MAJOR GOVERNMENTAL FUNDS**

**GENERAL FUND**

**SCHEDULE OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCE -  
BUDGET AND ACTUAL**

FOR THE YEAR ENDED DECEMBER 31, 2006

	Final Budget	Actual GAAP Basis	Variance with Final Budget Positive (Negative)
<b>OTHER:</b>			
Fringe Benefits:			
Social security	\$ 36,472	\$ 38,899	\$ (2,427)
Hospitalization	186,688	150,072	36,616
Retirement	49,077	51,670	(2,593)
Unemployment taxes	3,600	2,605	995
Contingency	22,447		
Total Fringe Benefits	<u>298,284</u>	<u>243,246</u>	<u>32,591</u>
Insurance and bonds	37,754	34,855	2,899
Miscellaneous	3,300	1,970	1,330
<b>TOTAL OTHER</b>	<u>339,338</u>	<u>280,071</u>	<u>36,820</u>
<b>TOTAL EXPENDITURES</b>	<u>1,378,574</u>	<u>1,193,935</u>	<u>162,192</u>
 <b>EXCESS OF REVENUES OVER (UNDER) EXPENDITURES</b>	 <u>5,292</u>	 <u>204,603</u>	 <u>176,864</u>
 <b>OTHER FINANCING SOURCES (USES):</b>			
Transfers In / (Out):			
Capital Improvements	(54,405)	(54,405)	-
Total Transfers (Out)	<u>(54,405)</u>	<u>(54,405)</u>	<u>-</u>
<b>TOTAL OTHER FINANCING SOURCES (USES)</b>	<u>(54,405)</u>	<u>(54,405)</u>	<u>-</u>
 <b>CHANGE IN FUND BALANCE</b>	 (49,113)	150,198	176,864
Fund balance, beginning of year	<u>924,155</u>	<u>924,155</u>	<u>-</u>
 <b>FUND BALANCE, END OF YEAR</b>	 <u>\$ 875,042</u>	 <u>\$ 1,074,353</u>	 <u>\$ 176,864</u>

**CHARTER TOWNSHIP OF CHOCOLAY, MICHIGAN**

**MAJOR GOVERNMENTAL FUNDS**

**CAPITAL IMPROVEMENT FUND**

**STATEMENT OF REVENUES,  
EXPENDITURES AND CHANGES IN FUND BALANCE**

**FOR THE YEAR ENDED DECEMBER 31, 2006**

**REVENUES:**

State sources	\$	2,068
Local sources		183,402
Interest		51,732
Other		28,244
<b>TOTAL REVENUES</b>		<u>265,446</u>

**EXPENDITURES:**

Capital outlay		
Buildings		2,460
Police department		28,622
Police training		815
Fire department		14,911
Streets		177,936
Recreation and grants		6,857
Zoning and planning		12,493
Total Capital Outlay		<u>244,094</u>
<b>TOTAL EXPENDITURES</b>		<u>244,094</u>

<b>EXCESS OF REVENUES OVER (UNDER) EXPENDITURES</b>		<u>21,352</u>
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**OTHER FINANCING SOURCES (USES):**

Transfers in		54,405
Transfers (out)		-
<b>TOTAL OTHER FINANCING SOURCES</b>		<u>54,405</u>

<b>CHANGES IN FUND BALANCE</b>		75,757
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Fund balance, beginning of year		<u>1,344,659</u>
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<b>FUND BALANCE, END OF YEAR</b>	\$	<u><u>1,420,416</u></u>
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CHARTER TOWNSHIP OF CHOCOLAY, MICHIGAN

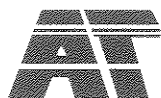
FIDUCIARY FUNDS

COMBINING STATEMENT OF NET ASSETS

DECEMBER 31, 2006

	Trust & Agency Fund	Tax Collection Fund	Total
<b>ASSETS</b>			
Cash and cash equivalents	\$ 6,021	\$ 263,777	\$ 269,798
<b>TOTAL ASSETS</b>	<u>\$ 6,021</u>	<u>\$ 263,777</u>	<u>\$ 269,798</u>
<b>LIABILITIES</b>			
Due to others	\$ 6,021	\$ 195,651	\$ 201,672
Due to other funds	-	68,126	68,126
<b>TOTAL LIABILITIES</b>	<u>\$ 6,021</u>	<u>\$ 263,777</u>	<u>\$ 269,798</u>

# COMPLIANCE SUPPLEMENTS



ANDERSON, TACKMAN & COMPANY, P.L.C.

CERTIFIED PUBLIC ACCOUNTANTS

PARTNERS

JOHN W. BLEMBERG, CPA

ROBERT J. DOWNS, CPA, CVA

DANIEL E. BIANCHI, CPA

MICHIGAN  
ESCANABA  
IRON MOUNTAIN  
KINROSS  
MARQUETTE

WISCONSIN  
GREEN BAY  
MILWAUKEE

REPORT ON INTERNAL CONTROL OVER FINANCIAL REPORTING AND ON  
COMPLIANCE AND OTHER MATTERS BASED ON AN AUDIT OF FINANCIAL  
STATEMENTS PERFORMED IN ACCORDANCE WITH  
GOVERNMENT AUDITING STANDARDS

The Supervisor and Members of  
the Board of Trustees of the  
Charter Township of Chocolay, Michigan  
5010 U.S. Highway 41 South  
Marquette, Michigan 49855

We have audited the financial statements of the governmental activities, the business-type activities, each major fund, and the aggregate remaining fund information of the Charter Township of Chocolay, Michigan as of and for the year ended December 31, 2006, which collectively comprise the Charter Township of Chocolay, Michigan's basic financial statements and have issued our report thereon dated March 9, 2006. We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States.

Internal Control Over Financial Reporting

In planning and performing our audit, we considered the Charter Township of Chocolay, Michigan's internal control over financial reporting as a basis for designing our auditing procedures for the purpose of expressing our opinions on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of the Charter Township of Chocolay, Michigan's internal control over financial reporting. Accordingly, we do not express an opinion on the effectiveness of the Charter Township of Chocolay, Michigan's internal control over financial reporting.

A control deficiency exists when the design or operation of a control does not allow management or employees, in the normal course of performing their assigned functions, to prevent or detect misstatements on a timely basis. A significant deficiency is a control deficiency, or combination of control deficiencies, that adversely affects the Charter Township of Chocolay, Michigan's ability to initiate, authorize, record, process, or report financial data reliably in accordance with generally accepted accounting principles such that there is more than a remote likelihood that a misstatement of the Charter Township of Chocolay, Michigan's financial statements that is more than inconsequential will not be prevented or detected by the Charter Township of Chocolay, Michigan's internal control.

A material weakness is a significant deficiency, or combination of significant deficiencies, that results in more than a remote likelihood that a material misstatement of the financial statements will not be prevented or detected by the Charter Township of Chocolay, Michigan's internal control.

The Supervisor and Members of  
the Board of Trustees of the  
Charter Township of Chocolay, Michigan

Our consideration of internal control over financial reporting was for the limited purpose described in the first paragraph of this section and would not necessarily identify all deficiencies in internal control that might be significant deficiencies or material weaknesses. We did not identify any deficiencies in internal control over financial reporting that we consider to be material weaknesses, as defined above.

#### Compliance and Other Matters

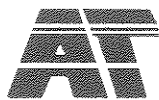
As part of obtaining reasonable assurance about whether the Charter Township of Chocolay, Michigan's financial statements are free of material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts and grant agreements, noncompliance with which could have a direct and material effect on the determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of our audit, and accordingly, we do not express such an opinion. The results of our tests disclosed no instances of noncompliance or other matters that are required to be reported under *Government Auditing Standards*.

This report is intended solely for the information and use of the management, the audit committee, the Township Board of Trustees and federal awarding agencies and pass-through entities and is not intended to be and should not be used by anyone other than these specified parties.

*Andersson, Tackman & Company, PLLC*  
Certified Public Accountants

March 9, 2007





# ANDERSON, TACKMAN & COMPANY, P.L.C.

CERTIFIED PUBLIC ACCOUNTANTS

## PARTNERS

JOHN W. BLEMBERG, CPA

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MARQUETTE

WISCONSIN  
GREEN BAY  
MILWAUKEE

March 9, 2007

To the Honorable Supervisor and Township Board  
Charter Township of Chocoday, Michigan  
5010 U.S. Highway 41 South  
Marquette, MI 49855

We have audited the financial statements of the Charter Township of Chocoday; Michigan for the year ended December 31, 2006, and has issued our report thereon dated March 9, 2007. Professional standards require that we provide you with the following information related to our audit.

### **Our Responsibility under U.S. Generally Accepted Auditing Standards**

As stated in our engagement letter, our responsibility, as described by professional standards, is to plan and perform our audit to obtain reasonable, but not absolute, assurance about whether the financial statements are free of material misstatement and are fairly presented in accordance with U.S. generally accepted accounting principles. Because an audit is designed to provide reasonable, but not absolute assurance and because we did not perform a detailed examination of all transactions, there is a risk that material misstatements may exist and not be detected by us.

As part of our audit, we considered the internal control of the Charter Township of Chocoday, Michigan. Such considerations were solely for the purpose of determining our audit procedures and not to provide any assurance concerning such internal control.

As part of obtaining reasonable assurance about whether the financial statements are free of material misstatements, we performed test of the Charter Township of Chocoday, Michigan's compliance with certain provisions of laws, regulations, contracts and grants. However, the objective of our tests was not to provide an opinion on compliance with such provisions.

### **Significant Accounting Policies**

Management is responsible for selection and use of appropriate accounting policies. In accordance with the terms of our engagement letter, we will advise management about the appropriateness of the accounting policies and their application. The significant accounting policies used by the Charter Township of Chocoday, Michigan are described in Footnotes to the financial statements. No new accounting policies were adopted and the application of existing policies was not changed during the fiscal year. We noted no transactions entered into by the Charter Township of Chocoday, Michigan during the year that were both significant and unusual, and of which, under professional standards, we are required to inform you, or transactions for which there is a lack of authoritative guidance or consensus.

To the Honorable Supervisor and Township Board  
Of the Charter Township of Chocolay, Michigan

### **Accounting Estimates**

Accounting estimates are an integral part of the financial statements prepared by management and are based on management's knowledge and experience about past and current events and assumptions about future events. Certain accounting estimates are particularly sensitive because of their significance to the financial statements and because of the possibility that future events affecting them may differ significantly from those expected.

### **Audit Adjustments**

For purposes of this letter, professional standards define an audit adjustment as a proposed correction of the financial statements that, in our judgment, may not have been detected except through our auditing procedures. An audit adjustment may or may not indicate matters that could have a significant effect on the Charter Township of Chocolay; Michigan's financial reporting process (that is, cause future financial statements to be materially misstated). In our judgment, none of the adjustments we proposed, whether recorded or unrecorded by the Charter Township of Chocolay, Michigan, either individually or in the aggregate, indicate matters that could have a significant effect on the Charter Township of Chocolay, Michigan's financial reporting process.

### **Disagreements with Management**

For purposes of this letter, professional standards define a disagreement with management as a matter, whether or not resolved to our satisfaction, concerning a financial accounting, reporting, or auditing matter that could be significant to the financial statements or the auditors' report. We are pleased to report that no such disagreements arose during the course of our audit.

### **Consultation with Other Independent Accountants**

In some cases, management may decide to consult with other accountants about auditing and accounting matters, similar to obtaining a "second opinion" on certain situations. If a consultation involves application of an accounting principle to the governmental unit's financial statements or a determination of the type of auditors' opinion that may be expressed on those statements, our professional standards require the consulting accountant to check with us to determine that the consultant has all the relevant facts. To our knowledge, there were no such consultations with other accountants.

### **Issues Discussed Prior to Retention of Independent Auditors**

We generally discuss a variety of matters, including the application of accounting principles and auditing standards, with management each year prior to retention as the Charter Township of Chocolay, Michigan's auditors. However, these discussions occurred in the normal course of our professional relationship and our responses were not a condition to our retention.

### **Difficulties Encountered in Performing the Audit**

We encountered no significant difficulties in dealing with management in the performance of our audit.

### **Conclusion**

This information is intended solely for the use of the Charter Township of Chocolay, Michigan's Board and management and is not intended to be and should not be used by anyone other than these specified parties.

*Anderson, Tackman & Company, PLLC*  
Certified Public Accountants